

# **EXHIBIT 1**

## **EXPERT REPORT OF JAMES TRAUTMAN**

### **I. Background and Experience**

1. I am Managing Director of Bortz Media & Sports Group, Inc. In this capacity, I have provided business planning, business development, market research, and related analytical services to major media companies, including group owners of radio and television stations, for more than 30 years. Over this period, my practice has emphasized analysis of media market trends, including trends in media consumption patterns, audience ratings and the effects of those ratings on the advertising market and advertising sales performance. I have designed and managed market research addressing local advertising sales, have estimated future advertising sales for both local television and local radio stations, and have considered prospects for media advertising on both an industry and market/station/network-specific level. Moreover, in the course of assessing the fair market value of literally hundreds of individual media properties, I have evaluated the factors that contribute to overall operating performance as well as advertising sales performance.

2. Based on this experience, I have extensive knowledge of the factors that influence audience ratings performance and corresponding advertising sales. My curriculum vitae is included as Appendix B to this Report.

3. My hourly billing rate is \$450.

### **II. Purpose of Report**

4. I was retained in this matter by Kaye Scholer LLP (“Counsel”). I have been advised by Counsel that direct damages are the “natural and probable consequence” of a breach

of contract. Further, I have been advised by Counsel that direct damages are typically expectation damages; and that such damages are measured by what it would take to put the non-breaching party in the same position that it would be in had the breaching party performed as promised under the contract.

5. In this context, I was asked to evaluate the natural and probable consequences of Lehman's failure to fund its credit obligation to Spanish Broadcasting System, Inc. ("SBS"). It is my understanding that the revolving credit facility was intended for working capital purposes, and that SBS would have used \$4 million of the \$25 million revolving credit facility for the purpose of marketing and promoting its radio station properties. As such, I evaluated and estimated the natural and probable consequences of reduced marketing and promotional expenditures in SBS' most competitive markets – specifically focusing on the audience ratings and advertising sales results achieved by SBS' stations in those markets before and after Lehman's failure to fund. In so doing, I have attempted to evaluate the position that SBS would have been in had Lehman performed under the contract. I have done this by estimating the advertising sales performance that SBS likely would have achieved absent the breach, and have also identified the difference in this "expected performance" from the level of advertising sales that SBS ultimately achieved.

### **III. Summary of Findings and Opinions**

6. The fundamental purpose of marketing and promotional expenditures by radio stations (as well as other media properties) is to establish and/or re-inforce audience awareness of and loyalty toward the station(s) being promoted. In turn, the natural expectation associated with such expenditures is that they will produce a return on investment in the form of higher audience

ratings and (ultimately) higher advertising sales revenues (i.e., that are achievable because of the higher audience ratings). Similarly, the inability to adequately market and promote one or more radio stations would naturally be expected to result in reduced audience ratings and reduced advertising sales.

7. Based on the analysis presented in this Report as well as my professional judgment, experience, and knowledge of the advertising market and audience behavior, it is my opinion that (as a result of its decline in marketing and promotional expenditures), SBS experienced declines in audience ratings accompanied by a decline in advertising revenue performance in relation to competing radio stations in its most competitive markets. Further, as noted above, I believe that such a decline was the natural and probable consequence of the reduction in marketing and promotional expenditures in the affected markets caused by Lehman's failure to fund. I estimate that the aggregate loss in gross advertising sales for SBS in calendar year 2010 attributable to the reduced marketing and promotional spending (i.e., compared to the position SBS would have been in had Lehman performed under the contract) amounted to on the order of \$13 million. Moreover, it is my opinion that the effects of the reduction in spending on SBS' market position and advertising sales performance have been ongoing, since lost awareness and/or loyalty would only be "recoverable" as a result of an exceptional (and costly) promotional effort to recapture it.

#### **IV. Analysis**

8. *Premise.* In my experience, effective marketing/promotion is an essential element of radio station success in attracting and retaining listeners (which translates into audience ratings that form the basis for the sale of advertising), as well as in establishing and maintaining a strong

brand identity among advertisers. Whether for SBS or any other owner of radio stations, limitations on the ability to adequately market/promote would be expected to eventually result in declining ratings and brand awareness/identity – which would in turn be expected to result in poor advertising sales performance in relation to competing stations. Further, such limitations would be expected to have increasing impacts in the time following the lack of promotion, since pre-existing audience affinity and awareness would naturally diminish as the amount of time since the last extensive promotional activity grew. At some point, station performance would be expected to stabilize at a new, lower “normal” – but this level of performance would be well below what likely could have been achieved if there had been no interruption of or reduction in marketing and promotional investment. Even if SBS eventually resumed competitive levels of marketing investment, it is uncertain whether such a commitment could eventually return the station(s) to performance levels that preceded the gap in promotional activity.

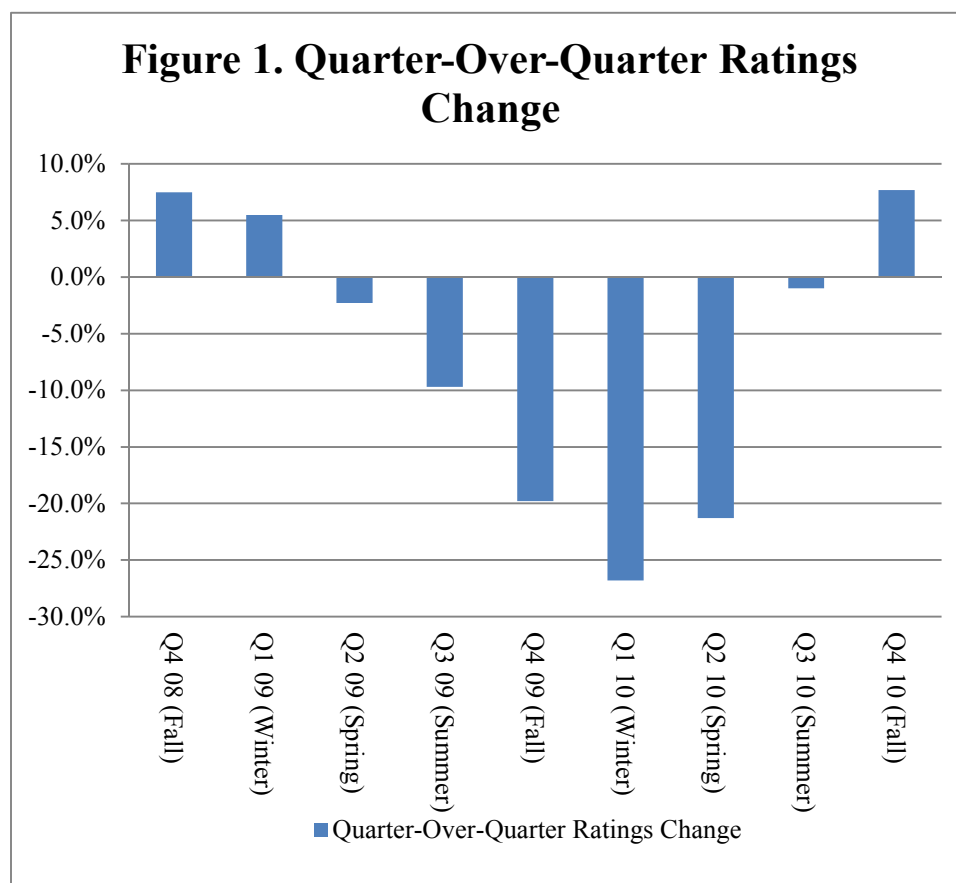
9. The analysis presented below assesses actual audience and operating data provided by SBS (and its competitors) in the context of this fundamental premise. Specifically, SBS’ actual performance is evaluated in relation to how SBS likely would have performed in the event that Lehman had performed as promised under the contract. Based on this analysis, it is evident that the impacts of reduced marketing and promotional expenditures that would be expected as the natural and probable consequence of Lehman’s failure to fund did, in fact, occur.

10. *Parameters of analysis.* My analysis focused on audience ratings performance for SBS radio stations, as well as advertising sales results for the SBS stations as compared with overall sales trends in each of the major SBS radio markets. More specifically, I examined results in five SBS markets (New York, Miami, Los Angeles, Chicago and San Francisco).

These markets were emphasized because: (1) they accounted for nearly 90 percent of SBS marketing and promotional expenditures in the two-year period preceding the breach; (2) their proportion of total SBS marketing/promotional spending fell to less than 50 percent for calendar year 2009, indicating that the \$4 million that SBS would have spent absent the failure to fund would likely have been spent in these markets; and (3) the size, demographics and intensely competitive nature of these radio markets suggests that performance in these markets could be especially susceptible to the effects of reduced promotion. In contrast, SBS' Puerto Rico radio operations were excluded because spending levels in this market were generally small to begin with, and because SBS' position in this market was so dominant as to suggest that reduced promotion likely would have been less impactful. Additionally, SBS' Miami TV operations were not evaluated because TV promotional spending was reduced, but not nearly to the degree that reductions occurred among the radio properties.

11. In conducting my analysis, I also considered the fact that many of the SBS stations were (at the time of Lehman's failure to fund) strong performers in their respective markets with large audiences, considerable listener loyalty and well-established marketplace identities. As such, reducing or eliminating promotional activity would likely have some short-term effects on both audience levels and sales, but the most significant impacts might not be evident until several months had passed. (It is also important to note that SBS remained able to promote itself using airtime on its own stations. While a station's own airtime is certainly valuable from a marketing perspective, its value is obviously limited to retaining existing listeners; by definition, it has no impact in attracting new listeners to the station. Further, if a station's ratings begin to fall as a result of the failure to bring in new listeners, the value of that station's airtime as a promotional vehicle declines correspondingly.)

12. *Ratings impacts.* Appendix Table A-1 shows SBS aggregate audience ratings (along with selected financial data) by quarter in the five major SBS markets before, during and after the failure to fund – covering the period from 2007 to 2012. Figure 1 below highlights the ratings performance of SBS stations as measured by the quarter-over-quarter percentage change in ratings from the Fall of 2008 through the Fall of 2010:<sup>1</sup>



13. As Figure 1 shows, aggregate five-market SBS station ratings increased in Fall 2008 (the last quarter that was preceded by a “pre-Lehman” marketing budget) as well as the next

<sup>1</sup> Quarter-over-quarter ratings comparisons in these markets during this time period may have been affected by a change in measurement methodology that took place in these markets between 2007 and 2009. However, there is no reason to believe that this change would have affected SBS stations to any greater degree than other stations in the same markets.

quarter, were stable in Spring 2009, and then declined substantially over the next year before stabilizing in the Summer of 2010. Significant ratings declines occurred in each quarter from Q3 2009 through Q2 2010. SBS ratings have fluctuated quarterly after 2010, but were approximately the same in Fall 2012 as in Fall 2010.

14. In my judgment, the decline in ratings results in the latter half of 2009 and the first half of 2010 is precisely the result that should logically and naturally have been expected in light of SBS' lack of funds to promote its stations in these key markets at the end of 2008 and throughout most of 2009. It is my opinion that severely diminished marketing and promotional spending likely reduced the ability of the stations to attract new listeners as well as to retain existing listeners (by affecting brand awareness and identity) – contributing over time to lower average audience levels. Moreover, while ratings have since stabilized, the “new normal” audience capture for the SBS stations is well below historical levels – indicating sustained effects from the reduced investment since the stations have been unable to return to historical levels of listenership.

15. *Revenue impacts.* The nexus between audience levels and advertising sales in radio is clear – all other things equal, lower ratings equal lower sales and higher ratings equal higher sales.<sup>2</sup> Demographics and other factors are important, to be sure, but declining audience levels will ultimately result in weak advertising sales performance. Importantly, revenue impacts need to be considered in the context of overall radio market trends – that is, growing or declining

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<sup>2</sup> Advertising sales activities are typically based on audience ratings achieved in the preceding quarter. Moreover, because there can be quarter-to-quarter fluctuations in ratings for a particular station, stations may not immediately feel the effects of one quarter of “down” ratings, and similarly may not fully realize the benefits of one “up” quarter. Therefore, a lag of at least one



sales for a station or stations need to be evaluated against the rate of growth or decline evident in total market sales in the market in which the station(s) competes.

16. Appendix Table A-2 presents quarterly advertising sales trends for the SBS stations from 2007 to 2012, and compares them with overall market trends in the five major SBS markets. The performance of SBS stations within their respective markets has fluctuated on a quarterly basis, sometimes outperforming and other times underperforming the markets as a whole. Due to the pattern of decline in ratings (as shown in Table 1) and the expected lag period between audience changes and sales impacts, I believe that the calendar year 2010 represents the critical time period for purposes of assessing the revenue impacts of Lehman's failure to fund – since these quarters correspond (lag-adjusted) to the period when ratings impacts (caused by diminished marketing/promotion) are likely to have taken full effect.

17. As shown on Table 1 below, when looked at across the five markets over time, the SBS stations outperformed overall market advertising sales performance from the start of 2007 through the end of 2009. However, in 2010 the stations, on average, underperformed their markets by an average of 8.6 percentage points. During 2011 and 2012, the SBS stations continued to perform below the level of their respective markets, although to a far lesser degree.

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quarter (and potentially more) in the effect of a change in ratings on the revenues produced by a station is to be expected.

**Table 1. SBS Stations vs. Market Revenue Pacing Comparison**

	<b>Average Three Market Growth Rate</b>		
	<b>SBS Stations</b>	<b>Overall Market</b>	<b>Difference*</b>
Q1 07 (Winter) - Q4 2009 (Fall)	-9.4%	-11.7%	<b>2.3%</b>
Q1 2010 (Winter) - Q4 10 (Fall)	-1.8%	6.8%	<b>-8.6%</b>
Q1 11 (Winter) - Q4 12 (Fall)	-0.1%	-0.5%	<b>0.5%</b>

\*Rows may not sum to difference due to rounding.

Source: Miller Kaplan data as provided by SBS.

18. This pattern is exactly what would be logically and naturally expected based on the ratings and marketing/promotional trends presented earlier, and is entirely consistent with the conclusion that the failure to fund negatively impacted SBS revenues by contributing to reduced station listenership.

19. *Financial implications.* In order to estimate the financial impact of Lehman's failure to fund in the context of the above analysis, it is necessary to compare the actual revenues produced by the SBS stations in the five key markets during 2010 to the level of revenues that SBS would have achieved if it had experienced growth consistent with overall trends in those markets during this same period. This difference, along with the implied difference in "going forward" revenues after the end of 2010, represents the amount required to place SBS in the same position it would have occupied had Lehman performed under the contract.

20. To calculate potential SBS revenues in the five key markets absent a failure to fund, I applied Miller Kaplan pacing data for each market in each affected quarter to SBS gross

spot sales for the relevant prior year quarter. These estimates are compared to actual SBS gross spot sales on Table 2 below.<sup>3</sup>

**Table 2. Estimated Revenue Impact of Lehman Failure to Fund**

	<b>Gross Spot Sales (000s)</b>		
	<b>Actual</b>	<b>Potential</b>	<b>Difference</b>
Q1 2010	\$19,412	\$20,189	\$777
Q2 2010	\$24,280	\$27,560	\$3,280
Q3 2010	\$22,068	\$27,561	\$5,493
Q4 2010	\$22,438	\$25,573	<u>\$3,135</u>
Cumulative Difference			<b>\$12,686</b>

Source: SBS, and Bortz Media estimates based on Miller Kaplan pacing data.

21. Table 2 indicates that SBS' inability to effectively promote its stations in New York, Los Angeles, Miami, Chicago and San Francisco as a result of Lehman's failure to fund contributed to reduced sales of more than \$12 million during calendar year 2010. It should be noted that this estimate of revenue impacts is likely conservative in that (prior to the failure to fund) SBS had historically outperformed its competitors, while this comparison is based on results that assume SBS's stations would have merely continued to mirror the competition if Lehman had performed under the contract.

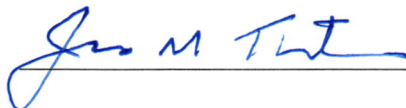
<sup>3</sup> From a purely mathematical perspective, the Miller Kaplan SBS pacing data and actual SBS sales correspond very closely, but do not match precisely -- meaning that the percentages shown in Table 1 cannot be matched identically to the sales figures in Table 2 for SBS. Moreover, averaging across multiple quarters and markets using the pacing data (as in Table 1) yields slightly different results than would be obtained using individual market results. However, these purely mathematical considerations do not materially affect the conclusion that substantial revenue impacts occurred, nor the magnitude of the calculated revenue impact.

22. Going forward, revenue impacts would be expected to approximate the quarterly impacts reflected in 2010, recognizing that – even if the stations tracked market revenue trends -- their revenues would remain at levels well below where they otherwise might have been had marketing and promotional efforts continued at previous levels.

**IV. Right to Supplement**

23. I reserve the right to supplement or amend my report based on any new information that may come to my attention that is relevant to the opinions contained herein.

Respectfully submitted,



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James M. Trautman

Denver, Colorado

July 23, 2015

**APPENDIX A.**

**SELECTED SBS OPERATING DATA AND MARKET PERFORMANCE  
COMPARATIVE DATA**

TABLE A-1. SBS Advertising/Promotional Expenditures, Spot Sales and Audience Ratings by Quarter

Spanish Broadcasting System, Inc.					
Cash Advertising, Promotions & Prizes/Contest					
	1Q07	2Q07	3Q07	4Q07	FY07
NY	129,949	1,014,131	91,995	1,430,530	2,666,605
MIA	247,010	267,429	269,928	265,101	1,049,468
LA	84,008	1,649,889	258,651	1,858,392	3,850,940
CHI	85,142	382,540	59,770	38,967	566,419
SF	14,601	260,432	69,534	261,349	605,916
<b>Five Market Radio Total</b>	<b>560,710</b>	<b>3,574,421</b>	<b>749,878</b>	<b>3,854,339</b>	<b>8,739,348</b>
<b>SBS Total</b>	<b>741,573</b>	<b>3,734,013</b>	<b>889,434</b>	<b>4,176,808</b>	<b>9,541,828</b>
	1Q08	2Q08	3Q08	4Q08	FY08
NY	2,483,548	633,653	34,256	(252)	3,151,205
MIA	253,501	167,478	18,289	10,416	449,684
LA	419,335	113,206	91,345	37,709	661,595
CHI	52,195	49,157	49,605	50,383	201,340
SF	6,867	12,931	26,315	6,252	52,365
<b>Five Market Radio Total</b>	<b>3,215,446</b>	<b>976,425</b>	<b>219,810</b>	<b>104,508</b>	<b>4,516,189</b>
<b>SBS Total</b>	<b>3,811,857</b>	<b>1,477,938</b>	<b>714,870</b>	<b>414,991</b>	<b>6,419,656</b>
	1Q09	2Q09	3Q09	4Q09	FY09
NY	2,050	-	2,229	307,668	311,947
MIA	1,376	2,486	3,215	18,311	25,388
LA	(19,962)	2,172	9,681	4,889	(3,220)
CHI	4,010	1,936	875	3,047	9,868
SF	2,556	2,118	1,010	-	5,684
<b>Five Market Radio Total</b>	<b>(9,970)</b>	<b>8,712</b>	<b>17,010</b>	<b>333,915</b>	<b>349,667</b>
<b>SBS Total</b>	<b>37,921</b>	<b>155,648</b>	<b>100,949</b>	<b>413,036</b>	<b>707,554</b>
	1Q10	2Q10	3Q10	4Q10	FY10
NY	(9)	44,784	8,052	10,626	63,453
MIA	7,265	546	5,530	11,113	24,454
LA	10,834	(1,468)	6,451	12,589	28,406
CHI	160	4,922	6,579	10,097	21,758
SF	160	-	7,670	21,000	28,830
<b>Five Market Radio Total</b>	<b>18,410</b>	<b>48,784</b>	<b>34,282</b>	<b>65,425</b>	<b>166,901</b>
<b>SBS Total</b>	<b>56,867</b>	<b>126,008</b>	<b>69,492</b>	<b>131,925</b>	<b>384,292</b>
	1Q11	2Q11	3Q11	4Q11	FY11
NY	6,372	40,191	15,891	10,711	73,165
MIA	19,010	10,480	8,510	63,882	101,882
LA	8,736	3,693	17,955	13,342	43,726
CHI	6,572	4,108	5,038	-	15,718
SF	7,603	1,712	3,404	3,299	16,018
<b>Five Market Radio Total</b>	<b>48,293</b>	<b>60,184</b>	<b>50,798</b>	<b>91,234</b>	<b>250,509</b>
<b>SBS Total</b>	<b>270,841</b>	<b>187,887</b>	<b>93,066</b>	<b>151,443</b>	<b>703,237</b>
	1Q12	2Q12	3Q12	4Q12	FY12
NY	29,684	16,658	(4,241)	21,381	63,482
MIA	6,127	288,571	94,608	549	389,855
LA	147	13,682	7,883	1,779	23,491
CHI	(2,953)	(3,004)	3,108	2,853	4
SF	5,036	21,188	3,265	(585)	28,904
<b>Five Market Radio Total</b>	<b>38,041</b>	<b>337,095</b>	<b>104,623</b>	<b>25,977</b>	<b>505,736</b>
<b>SBS Total</b>	<b>97,031</b>	<b>366,777</b>	<b>144,301</b>	<b>40,646</b>	<b>648,755</b>

Spanish Broadcasting System, Inc.					
Gross Cash Spot Sales					
	1Q07	2Q07	3Q07	4Q07	FY07
NY	12,735,478	15,984,919	16,019,075	14,327,434	59,066,906
MIA	9,846,160	11,096,523	10,130,849	11,258,701	42,332,233
LA	8,345,884	11,182,089	11,207,239	9,362,263	40,097,475
CHI	3,731,749	4,716,898	4,730,005	4,140,358	17,319,010
SF	1,944,848	2,670,150	2,517,594	2,445,701	9,578,293
<b>Five Market Radio Total</b>	<b>36,604,119</b>	<b>45,650,579</b>	<b>44,604,762</b>	<b>41,534,457</b>	<b>168,393,917</b>
<b>SBS Total</b>	<b>42,208,248</b>	<b>52,213,915</b>	<b>50,905,893</b>	<b>48,887,367</b>	<b>194,215,423</b>
	1Q08	2Q08	3Q08	4Q08	FY08
NY	11,520,994	14,886,806	12,868,730	12,146,451	51,422,981
MIA	7,637,660	8,257,493	7,114,503	6,497,315	29,506,971
LA	7,520,728	9,704,095	8,245,665	6,671,053	32,141,541
CHI	2,827,679	4,181,065	3,979,810	3,482,415	14,470,969
SF	1,970,039	2,852,685	2,397,596	2,013,782	9,234,102
<b>Five Market Radio Total</b>	<b>31,477,100</b>	<b>39,882,144</b>	<b>34,606,304</b>	<b>30,811,016</b>	<b>136,776,564</b>
<b>SBS Total</b>	<b>38,305,662</b>	<b>47,556,551</b>	<b>42,361,249</b>	<b>40,205,495</b>	<b>168,428,957</b>
	1Q09	2Q09	3Q09	4Q09	FY09
NY	8,412,951	11,707,627	12,506,280	11,398,545	44,025,403
MIA	4,932,315	5,933,899	6,167,461	6,240,668	23,274,343
LA	5,075,911	8,019,363	8,188,955	6,127,644	27,411,873
CHI	2,729,881	3,562,867	3,802,480	3,287,368	13,382,596
SF	1,473,260	2,594,336	2,563,097	2,058,258	8,688,951
<b>Five Market Radio Total</b>	<b>22,624,318</b>	<b>31,818,092</b>	<b>33,228,273</b>	<b>29,112,483</b>	<b>116,783,166</b>
<b>SBS Total</b>	<b>29,040,722</b>	<b>39,725,474</b>	<b>40,842,699</b>	<b>37,687,566</b>	<b>147,296,461</b>
	1Q10	2Q10	3Q10	4Q10	FY10
NY	8,339,022	10,694,742	9,877,261	10,272,078	39,183,103
MIA	5,695,381	6,393,141	5,755,952	6,063,788	23,908,262
LA	5,377,462	7,192,244	6,434,840	6,102,512	25,107,058
CHI	2,360,442	3,093,580	3,480,229	3,238,134	12,172,385
SF	1,737,059	2,551,542	2,358,439	2,052,883	8,699,923
<b>Five Market Radio Total</b>	<b>23,509,366</b>	<b>29,925,249</b>	<b>27,906,721</b>	<b>27,729,395</b>	<b>109,070,731</b>
<b>SBS Total</b>	<b>30,692,777</b>	<b>38,722,499</b>	<b>36,180,872</b>	<b>37,094,246</b>	<b>142,690,394</b>
	1Q11	2Q11	3Q11	4Q11	FY11
NY	8,226,851	12,256,835	12,500,693	11,677,075	44,661,454
MIA	4,856,855	5,155,429	4,798,819	5,284,094	20,095,197
LA	5,143,148	6,397,904	6,738,634	5,856,031	24,135,717
CHI	2,448,965	3,130,191	3,025,267	2,476,875	11,081,298
SF	1,487,915	2,166,707	2,073,619	1,797,596	7,525,837
<b>Five Market Radio Total</b>	<b>22,163,734</b>	<b>29,107,066</b>	<b>29,137,032</b>	<b>27,091,671</b>	<b>107,499,503</b>
<b>SBS Total</b>	<b>30,236,766</b>	<b>37,833,116</b>	<b>37,679,081</b>	<b>35,841,608</b>	<b>141,590,571</b>
	1Q12	2Q12	3Q12	4Q12	FY12
NY	9,170,862	11,486,480	11,546,927	11,336,014	43,540,283
MIA	4,430,968	4,536,833	4,851,880	5,684,221	19,503,902
LA	4,961,480	6,968,607	7,109,632	6,783,083	25,822,802
CHI	2,179,023	2,873,065	2,768,304	2,097,504	9,917,896
SF	1,276,279	1,737,472	1,605,392	1,499,216	6,118,359
<b>Five Market Radio Total</b>	<b>22,018,612</b>	<b>27,602,457</b>	<b>27,882,135</b>	<b>27,400,038</b>	<b>104,903,242</b>
<b>SBS Total</b>	<b>29,323,779</b>	<b>35,546,335</b>	<b>36,555,608</b>	<b>37,386,776</b>	<b>138,812,498</b>

Spanish Broadcasting System, Inc.					
Total Market Rating- (Mon-Sun 6am-12 am, Persons 18 - 49)					
	Win07	Spr07	Sum07	Fal07	FY07
NY	10.4	9.7	9.0	7.6	36.7
MIA	10.8	8.6	8.8	8.5	36.7
LA	8.3	9.0	7.0	7.9	32.2
CHI	4.6	2.4	3.3	4.2	14.5
SF	3.7	3.1	3.0	3.7	13.5
<b>Five Market Radio Total</b>	<b>37.8</b>	<b>32.8</b>	<b>31.1</b>	<b>31.9</b>	<b>133.6</b>
	Win08	Spr08	Sum08	Fal08	FY08
NY	6.9	7.5	7.7	8.8	30.9
MIA	8.1	7.5	7.5	9.0	32.1
LA	6.9	7.1	7.5	8.0	29.5
CHI	5.3	3.8	4.4	3.9	17.4
SF	2.8	3.0	4.5	4.5	14.8
<b>Five Market Radio Total</b>	<b>30.0</b>	<b>28.9</b>	<b>31.6</b>	<b>34.2</b>	<b>124.7</b>
	Win09	Spr09	Sum09	Fal09	FY09
NY	8.0	6.8	6.7	6.0	27.5
MIA	8.1	8.4	7.7	8.5	32.7
LA	7.0	6.4	6.1	6.2	25.7
CHI	3.5	3.5	3.2	3.1	13.3
SF	5.4	4.1	3.4	4.7	17.6
<b>Five Market Radio Total</b>	<b>32.0</b>	<b>29.2</b>	<b>27.1</b>	<b>28.5</b>	<b>116.8</b>
	Win10	Spr10	Sum10	Fal10	FY10
NY	5.1	5.6	6.2	6.8	23.7
MIA	6.8	6.4	8.2	8.8	30.2
LA	5.0	5.0	5.9	6.7	22.6
CHI	3.1	2.9	3.3	3.5	12.8
SF	4.9	4.9	3.4	2.8	16.0
<b>Five Market Radio Total</b>	<b>24.9</b>	<b>24.8</b>	<b>27.0</b>	<b>28.6</b>	<b>105.3</b>
	Win11	Spr11	Sum11	Fal11	FY11
NY	6.3	6.7	6.3	6.5	25.8
MIA	8.5	7.4	6.9	7.1	29.9
LA	5.6	5.8	5.2	6.0	22.6
CHI	3.1	2.9	2.9	3.4	12.3
SF	3.1	3.1	2.9	3.5	12.6
<b>Five Market Radio Total</b>	<b>26.6</b>	<b>25.9</b>	<b>24.2</b>	<b>26.5</b>	<b>103.2</b>
	Win12	Spr12	Sum12	Fal12	FY12
NY	7.0	7.4	7.2	7.3	28.9
MIA	7.1	7.5	8.1	8.2	30.9
LA	6.0	5.3	5.0	5.5	21.8
CHI	3.3	2.9	2.0	2.5	10.7
SF	3.9	2.9	3.1	3.4	13.3
<b>Five Market Radio Total</b>	<b>27.3</b>	<b>26.0</b>	<b>25.4</b>	<b>26.9</b>	<b>105.6</b>

**TABLE A-2. Miller Kaplan Pacing Comparison, SBS vs. Market**

	1Q 2007		2Q 2007		3Q 2007		4Q 2007		1Q 2008		2Q 2008		3Q 2008		4Q 2008	
<b>Total Spot</b>	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market
Chicago	-5.3%	-1.7%	-5.2%	-2.8%	-3.5%	-6.5%	-11.1%	-6.4%	-11.6%	-25.6%	-11.4%	-6.1%	-16.2%	-6.0%	-15.2%	-13.0%
Los Angeles	-11.5%	0.3%	-5.7%	-4.5%	-1.1%	-6.7%	-4.3%	-7.3%	-10.6%	-8.7%	-13.7%	-7.5%	-27.3%	-14.3%	-29.2%	-22.7%
Miami	-7.8%	4.2%	-8.7%	1.0%	-6.0%	-0.3%	3.6%	2.7%	-8.8%	-22.4%	-25.8%	-16.7%	-30.2%	-13.7%	-42.9%	-21.9%
New York	20.2%	2.3%	1.6%	-4.0%	13.0%	-4.9%	1.9%	-5.3%	-7.4%	-9.5%	-6.5%	-4.5%	-20.1%	-8.4%	-15.4%	-21.9%
San Francisco	31.8%	1.7%	2.7%	-8.3%	-4.4%	-4.4%	-7.7%	-10.1%	-8.8%	2.9%	8.7%	-4.8%	-4.6%	-10.8%	-15.9%	-19.0%
	1Q 2009		2Q 2009		3Q 2009		4Q 2009		1Q 2010		2Q 2010		3Q 2010		4Q 2010	
<b>Total Spot</b>	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market
Chicago	-2.1%	-19.1%	-14.1%	-21.4%	-2.3%	-14.9%	-2.6%	-3.7%	-10.7%	9.2%	-10.4%	5.2%	-6.1%	2.5%	0.6%	8.3%
Los Angeles	-35.3%	-34.4%	-18.3%	-28.4%	-1.0%	-16.6%	-6.4%	-16.0%	9.8%	3.9%	-7.5%	4.4%	-19.6%	-1.0%	-0.5%	9.6%
Miami	-35.6%	-25.8%	-28.0%	-21.6%	-12.1%	-14.7%	-1.4%	-10.4%	20.1%	10.2%	11.3%	13.0%	-5.4%	7.0%	-2.0%	9.7%
New York	-28.8%	-28.8%	-23.1%	-25.2%	-3.8%	-17.4%	-5.0%	-4.7%	0.4%	12.3%	-8.0%	4.9%	-20.4%	2.0%	-9.8%	3.4%
San Francisco	-28.2%	-29.3%	-9.3%	-26.4%	9.0%	-19.8%	4.7%	-7.5%	27.2%	12.6%	1.3%	9.6%	-5.6%	2.5%	-0.8%	7.0%
	1Q 2011		2Q 2011		3Q 2011		4Q 2011		1Q 2012		2Q 2012		3Q 2012		4Q 2012	
<b>Total Spot</b>	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market	SBS	Market
Chicago	3.1%	1.0%	0.3%	2.6%	-15.2%	0.4%	-27.4%	-6.0%	-10.9%	-10.3%	-6.7%	-1.9%	-6.2%	1.4%	-11.6%	-8.5%
Los Angeles	-4.3%	4.9%	-14.2%	-2.4%	2.0%	0.8%	-6.7%	-7.4%	-1.6%	-4.2%	14.3%	0.8%	11.6%	-0.8%	21.8%	8.9%
Miami	-16.9%	-2.0%	-20.9%	-6.5%	-12.7%	-7.8%	-14.4%	-6.7%	-7.0%	0.1%	-7.3%	0.9%	-3.7%	5.9%	10.9%	10.1%
New York	-2.9%	-2.2%	14.2%	-4.1%	24.2%	1.7%	12.2%	-5.2%	15.1%	-3.5%	-6.8%	0.9%	-8.2%	-5.7%	-1.3%	2.6%
San Francisco	-17.1%	-7.6%	-18.4%	-8.2%	-15.1%	-2.4%	-15.7%	-12.9%	-8.6%	-10.5%	-12.8%	0.3%	-14.8%	-7.6%	-8.2%	3.4%

Source: Miller Kaplan Quarterly Performance Reports, March 2007-December 2012.

**APPENDIX B.**

**CURRICULUM VITAE OF JAMES M. TRAUTMAN**



**JAMES M. TRAUTMAN**  
Managing Director and Principal

Bortz Media & Sports Group, Inc.  
5105 DTC Parkway, Suite 200  
Greenwood Village, Colorado 80111  
303-893-9903 (Direct)  
[trautman@bortz.com](mailto:trautman@bortz.com)

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## **EXPERIENCE:**

### ***Managing Director and Principal, Bortz Media & Sports Group, Inc. (1988 to Present)***

- ❑ Leads media/entertainment practice for analytically-based consulting firm.
- ❑ Expertise is concentrated in applied market, economic and competitive analysis – focusing on evaluation of trends in media/entertainment market evolution; analysis of consumer preferences and audience behavior; analysis of industry, company and product/service economics; market forecasting/demand assessment; analysis and valuation of video programming and programming networks; and survey research.
- ❑ Extensive consulting history for a wide range of major media organizations is combined with considerable experience in expert testimony and litigation support.

Additional detail on primary areas of expertise includes:

### **Expert Testimony/Litigation Support**

Has provided comprehensive analysis and expert testimony for multiple law firm clients including Arnold & Porter; Patton Boggs LLP; Coblenz, Patch, Duffy & Bass LLP; Lowenstein Sandler LLP; Kaye Scholer LLP; Winston & Strawn; Manatt, Phelps & Phillips; Snell & Wilmer; and Davis Wright Tremaine. Support and testimony has encompassed assessment of programming and programming networks; analysis of television viewing data and viewing behavior; valuation of media assets and properties; analysis of digital music prospects; economic and market analysis of media industries, technologies and planned business ventures; analysis of industry and firm-level business practices and strategies; and design/execution of market research. Examples include:

- ❑ *United States Copyright Office.* On an ongoing basis over the past 25 years, has developed and provided comprehensive expert analysis and testimony in numerous adversarial proceedings before the U.S. Copyright Royalty Judges (and their predecessors), primarily addressing the allocation of more than \$200 million in annual copyright royalties among the owners of selected television programming. Specific elements of the analysis and testimony have included the following:
  - ✓ Written and oral testimony addressing the relative market value to the cable and satellite television industries of various television programming types.

- ✓ Testimony identifying and evaluating comparative metrics for assessing programming value, and identifying and evaluating marketplace transactions and their economic relevance to the proceedings.
  - ✓ Design and management of annual telephone-based survey research among cable television executives, along with ongoing industry level economic and market analysis addressing the relative value of various programming types.
  - ✓ Written and oral testimony addressing the factors that influence the programming carriage decisions of cable operators and satellite distributors, including detailed evaluation of carriage patterns and market considerations affecting cable networks. Subscriber interests and viewing behavior have been specifically studied and addressed.
  - ✓ Written and oral testimony addressing the prospects for the digital music services.
  - ✓ Testimony addressing the evolution of and prospects for the cable and satellite industries.
- *Mike Padberg v. DISH Network, L.L.C.* From 2012 to 2014, provided support in class action litigation addressing a subscription television programming dispute. Submitted multiple expert reports assessing the behavior of subscription TV customers, how those customers make purchasing decisions, and the nature of consumer interests as related to certain programming networks.
  - *Huff Fund Investment Partnership d/b/a Musashi II, Ltd. et al v. CKx, Inc.* In 2012 and 2013, submitted an expert report evaluating overall broadcast television market economic and viewing trends, focusing on the current market position and long-term business prospects for the *American Idol* programming franchise, and provided expert testimony in support of the analysis.
  - *Bloomberg L.P. v. Comcast Cable Communications, LLC.* In 2011, developed and submitted an expert declaration to the Federal Communications Commission addressing cable programming industry distribution and channel placement practices.
  - *Northland Communications Corporation et al v. MTV Networks.* Provided expert support, written and deposition testimony addressing the licensing value of several television programming networks, as well as the influence of scale economies and other industry structural characteristics on the license fees charged to various classes of programming distributors.
  - *TiVo, Inc. vs. Motorola Mobility, Inc. et al.* In 2012 and 2013, provided written expert testimony on behalf of TiVo, Inc. in patent litigation. Testimony addressed the growth of DVR technology, market factors underlying that growth, and the role that TiVo's patents played in contributing to the consumer adoption of and subscription

TV market value of DVR products. The emergence and growth of “consumer-controlled television” and its implications for the viewing experience was specifically highlighted and evaluated.

- ❑ *In Re Scientific-Atlanta, Inc. Securities Litigation.* In 2008 and 2009, provided comprehensive expert support, written testimony and deposition testimony on behalf of manufacturing firm Scientific-Atlanta, Inc. (a Cisco subsidiary) in connection with ongoing class action litigation. Support and testimony evaluated cable industry financial performance, growth characteristics, technology trends, marketing practices, supplier characteristics and other factors as a basis for determining whether Scientific-Atlanta’s internal growth projections and public representations during the class period were reasonable.
- ❑ *Canadian Copyright Royalty Board.* Retained from 2010 to 2012 by a major Canadian copyright collective to analyze program-specific viewing data for more than 50 broadcast television stations (23,000 programming records) and develop an expert report addressing viewing patterns. Currently retained to develop a similar report addressing the 2013-14 broadcast season.
- ❑ *USA v. Barford, Kalkwarf and Smith.* Provided comprehensive expert support over a three-year period on behalf of an individual defendant in connection with an action brought by the Justice Department against Charter Communications and several Charter executives. Support related to a variety of issues including subscriber growth expectations and results for Charter and the market conditions that affected those expectations.
- ❑ *Charter Communications Holding Company, LLC, and Charter Communications Operating, LLC v. DIRECTV, Inc.* Provided expert analysis, a written expert report and deposition testimony on behalf of DirecTV in connection with a false advertising claim brought against the company. This analysis evaluated the current operating performance and future operating prospects of one of the company’s competitors by comparing the performance of the competitor to key industry benchmarks and the performance of its peers.
- ❑ *Schonfeld v. Hilliard, et al.* Provided expert support, written and deposition testimony addressing the market/economic prospects for and potential value of a television programming network. Analysis detailed the operating economics of a start-up/early stage news network, as well as the market factors influencing the distribution potential, licensing value and cost structure of the network.
- ❑ *Alabama TV Cable, Inc. v. Locust Mountain Partners, II, LP, et al.* Provided written testimony addressing the fair market value of selected cable television systems, and rebuttal testimony discussing the economic and market factors that influence market value.
- ❑ *Gramercy Park Investments, et al v. Jones Intercable, Inc., et al.* Provided written testimony addressing the fair market value of several cable television systems.

- ❑ *Charter Communications, Inc. v. James H. ("Trey") Smith, III.* Developed written testimony addressing cable television industry business and marketing practices.
- ❑ On multiple occasions, provided expert support in similar litigation in which settlements were reached prior to submission and/or preparation of testimony.

*Industry and Firm-Level Economic, Market and Competitive Analysis*

Retained by dozens of major clients including A&E Television Networks, Blackstone Group, CBS, Comcast, Corporation for Public Broadcasting, Cox Communications, Discovery Communications, Disney/ABC, ESPN Networks, Gannett, Landmark Communications, MTV Networks, Ziff-Davis, Times Mirror, Time Warner, Tribune, The Washington Post Company, Major League Baseball, the National Basketball Association, the National Cable & Telecommunications Association, the Big 12 Conference, Crown Media, Scripps Networks, National Public Radio, Public Broadcasting Service (PBS), Spanish Broadcasting System (SBS) and the United States Olympic Committee (USOC). Example of projects and consulting services include:

- ❑ On behalf of the Corporation for Public Broadcasting, completed a comprehensive, multi-phase assessment of digital radio opportunities, addressing the market potential for both terrestrial and satellite-delivered digital radio in the context of current and projected future radio market trends.
- ❑ On multiple occasions, provided strategic planning assistance to National Public Radio. Assignments encompassed in-depth interviews with NPR affiliate stations, assessment of audience trends and recommendations relating to program scheduling.
- ❑ Analyzed financial prospects and estimated the fair market value of numerous commercial television and radio station properties, in markets ranging from the largest to the smallest. Analyses evaluate market trends and likely future market capture in terms of both advertising revenue and audience, resulting in the development of pro forma financial projections.
- ❑ Analyzed the fair market value of television, radio and Internet rights for numerous major programming rights holders, encompassing content with rights values totally more than \$20 billion. Analyses have addressed both entertainment and sports content and consider the audience potential, advertising prospects and other economic drivers of the content, as well as cost factors. Analyses have also addressed the value of programming and footage libraries, syndication opportunities, and “ancillary” value components including sponsorship exposure value, live tours, DVD sales, etc.
- ❑ Provided business development support to and/or evaluated market/economic prospects and revenue models for more than 50 proposed subscription TV

programming ventures and existing basic and premium television networks. Assignments have addressed both national networks and regional sports and news networks. Clients/properties have ranged from planning stage concepts (e.g., Outdoor Life – now NBC Sports Network, U.S. Olympic Network) to services in the early stages of development (e.g., ZDTV – now G4, Classic Sports Network – now ESPN Classic) to widely penetrated networks such as ESPN and Discovery. Assignments have encompassed initial business model development, projections of viewing levels and advertising potential, marketing/sales planning, affiliate contract negotiations, programming strategy and programming acquisition, and service implementation.

- The economics and marketing of video programming tiers, competitive services and new television products has been an ongoing focus. Examples of tiering and new product-related assignments include:
  - ✓ For multiple clients, assessment of Internet-based video content distribution prospects, considering both economic opportunities and potential risks to existing distributors. Analyses have specifically addressed Internet-based delivery of movies and other television programming and its implications for cable networks and video-on-demand services.
  - ✓ Designed and managed consumer research and provided recommendations to Comcast regarding the composition, packaging and pricing of the company's initial digital service tiers in preparation for the deployment of digital settop boxes.
  - ✓ For a major content owner, evaluates media market trends and implications on an ongoing basis. The implications of Internet video distribution, tiering, channel placement and ownership of the organization's network distribution outlets has been a specific focus. Mobile distribution opportunities and economics, on-demand economics and interactive advertising prospects have also been assessed.
  - ✓ Assessment of the relative merits of cable HFC distribution infrastructure and telephone company fiber optic network architecture from a consumer perspective, emphasizing the relative advantages and disadvantages of each technical approach in terms of services and features provided to subscribers. Based on this assessment, developed detailed recommendations regarding client positioning and communications strategies in response to telephone company marketing initiatives.
  - ✓ For Cox, provided a comprehensive assessment of current and likely future satellite competitor technology and marketing/promotional initiatives as a basis for devising Cox product, packaging and marketing strategies.
  - ✓ Also for Cox, analyzed HDTV opportunities and timing considerations with respect to initial deployment of HDTV services.

- ✓ Assessment of home video rental market trends and prospects in the context of the evolution of cable-based video-on-demand services.
- ✓ Assessment of the premium television market, including prospects for major premium TV providers and the impact of movie distribution alternatives (including video-on-demand, Netflix and Internet-based services) on premium television content strategies.
- Co-author of Digital Broadcasting: Where Do We Go From Here? This report, released in 2010, evaluated future business prospects and market opportunities for the broadcast television industry – focusing on multicasting, mobile video and other services enabled by digital transmission technology.
- Created and directed Bortz Media's subscription television industry competitive assessment practice for more than 15 years. Services provided to major cable companies included ongoing analysis of wireline, satellite and other competitors, addressing strategies, economics, technical capabilities/constraints and the overall threat profile presented by market-level cable competitors. In connection with these engagements, developed market level strategic and tactical plans for cable operators to address competition. These analytical and planning efforts emphasized competitor economics and consumer marketing strategies, as well as the development/deployment of new consumer products and technologies including digital settop boxes, DVRs, video-on-demand, HDTV, interactive television, high-speed Internet and telephone service.
- On behalf of the National Cable & Telecommunications Association (NCTA), authored A Study of the Cable Industry's Impact on the U.S. Economy. This comprehensive economic impact analysis, released in 2013, analyzed cable industry subscriber growth patterns and operating characteristics and utilized input-output modeling techniques to evaluate cable industry financial flows. These flows were then used to quantify the industry's direct and indirect contributions to U.S. employment, personal income and gross economic output at the national level as well as by individual Congressional District. Earlier versions of this analysis were prepared in 2011, 2008, 2003, 1998, 1990 and 1986.
- Analyzed financial prospects and estimated the fair market value of over 100 cable television properties both domestically and internationally. Assessments of current and future cable television economics have also been developed on a recurring basis for a major financial institution, as well as an international consulting organization.
- For a major broadcast network, assessed digital television opportunities, considered technological and market factors in defining a digital television strategic focus, and developed recommendations relating to cable distribution of digital signals and high definition programming.
- Provided comprehensive digital transition business planning assistance to the Corporation for Public Broadcasting, the Association of Public Television Stations,

the Ford Foundation, the James Irvine Foundation and selected individual public broadcasters. These assignments assessed new service opportunities and involved working with individual public television (PTV) stations to develop digital service/financial models. Elements of the projects included assessment of the overall media environment and its implications for PTV (focusing on the impact of emerging technologies), exploration of digital capacity utilization issues and alternatives (including data-driven, interactive and commerce-based applications), and evaluation of partnership opportunities with both for profit and non-profit entities.

- ❑ Assisted various other public broadcasting organizations in numerous engagements over the past 20 years. In addition to the assignments noted above, these have included development of comprehensive market analyses, development of service and operating structure recommendations for stations, evaluation of advertising potential, assessment of merchandising and licensing practices, support in negotiations for programming distribution, and assessment of Internet business opportunities.
- ❑ Provided strategic planning assistance to Landmark Communications on multiple occasions, supporting the company's efforts to enhance its television station operations.
- ❑ In the mid-1980s, developed and conducted an annual Cable Operating Performance Benchmarks study for participating cable companies on behalf of the National Cable & Telecommunications Association. This study focused on the interrelationships between operating characteristics and financial performance at the cable system level, utilizing detailed operating, financial and market information from more than 150 separate cable systems. Separate industry level analyses have addressed the industry's economics and financial characteristics on numerous subsequent occasions.
- ❑ Designed, managed and executed a wide range of quantitative and qualitative research studies, including statistically representative national (as well as local and regional) telephone surveys, Internet-based surveys, focus groups, one-on-one interviews and new product trials. A study conducted annually addresses trends in local advertising sales and the factors influencing local ad sales performance.

***Senior Associate, BBC, Inc. (1983 to 1988)***

Responsible for execution of multi-faceted research and analytical assignments addressing industries including media, entertainment and telecommunications, real estate, banking and public facilities/recreation.

**EDUCATION:**

M.B.A., Finance (1990), University of Colorado  
B.S., Economics (1982), Claremont McKenna College, Claremont, California

**OTHER:**

Author of A Study of the Cable Industry's Impact on the U.S. Economy; and Public Television's Transition to a Digital Future. Co-Author of Digital Broadcasting: Where Do We Go From Here?; Public Television in the Information Age; Great Expectations: A Television Manager's Guide to the Future; and Sports on Television: A Whole New Ballgame.